

company in receivership, 86 percent to fits loans were overdue and its accumulated losses exceeded its private capital by 171 percent.

On July 20, 1993, the FBI raided Hale's offices and confiscated his files. By August Clinton's new U.S. attorney for the Eastern District of Arkansas, Paula Casey, prepared to ask a federal grand jury to indict Hale for defrauding the SBA.

What the SBA inspectors and the FBI had found was that Hale had essentially been dealing with himself and a few cronies, including two state Republican chairmen and other Republican politicians and, briefly, seven years earlier, Jim McDougal and Jim Guy Tucker, then a private citizen licking the wounds of a crushing defeat at the hands of Bill Clinton in the 1982 governor's race.

Hale's story about Clinton asking him to make an illegal loan to one of his old business partners seems implausible because Hale at the time was funneling money illegally from his small business development company into the campaign of Clinton's Republican opponent, former Gov. Frank White, who had appointed Hale to his municipal judgeship in 1981.

Here are details about some of the Arkansas Republicans who have avoided the harsh light of Special Prosecutor Starr:

Hale's fellow municipal judge, Bill Watt, testified at the April trial that Hale had written a \$10,000 check to the company headed by his law partner, Richard M. Grasby, the Republican county chairman, with directions that \$2,000 of it be laundered and put into White's campaign against Clinton. Watt contributed \$1,000 in the name of his secretary and \$1,000 in the name of the secretary's daughter. The gifts never showed up in White's campaign reports. White says he doesn't think he got them. Using the proceeds of a federally backed small business loan for political gifts is illegal. Defense attorneys elicited the story from Watt, a prosecution witness.

Starr is prosecuting two rural bankers this week on charges that they arranged \$13,000 in contributions to Clinton's campaign and reimbursed themselves by padding their expenses at the bank. The gifts to White's campaign from federal funds seemed to be analogous, but Starr passed when the gifts came to light last year.

More intriguing was Starr's pass on Bob Leslie, a Little Rock lawyer who was the state Republican chairman and later national committeeman, during the 1980s. Leslie had been the Republican candidate for Congress from South Arkansas' Fourth District in 1982. When Hale was on the stand, a defense lawyer, Bobby McDaniel of Jonesboro, asked him about a \$20,000 SBA-guaranteed loan to Leslie. Hale said it was a "pay-off" for Leslie's help in a scheme to defraud the Small Business Administration. Leslie had written legal opinions to the SBA saying Hale qualified for more SBA funds when he didn't.

"He had a tax problem, and I loaned that money to him," Hale said. "The U.S. attorney said they were not going to charge him."

Leslie wasn't called as a witness. He told reporters he had done nothing wrong.

Hale also made a federally backed loan of \$275,000 to a minority mortgaging company Leslie formed, which was not repaid. Leslie told a reporter that he actually didn't get to use the money.

Hale had an unusual affinity for Republican chairmen. Leslie's predecessor as state chairman was Ken Coon, the Republican nominee for governor in 1974 and an unsuccessful candidate for Congress in the Republican primary last month.

When he applied to the SBA for leverage capital the last time, Hale listed Coon as the recipient of a substantial loan for a disadvantaged business if the SBA was forthcoming. Coon was a director of a burial insurance company Hale owned.

Another rising Republican star who became entangled in Hale's web but was ignored by the special prosecutor was Robert Boyce, a young businessman who ran unsuccessfully for the legislature in 1992 from Little Rock's silk-stocking Pulaski Heights district.

Boyce was president of a company that was supposed to handle liquidation sales for stores going out of business. In November 1988 Hale wired \$300,000 into Boyce's account and he wrote checks totaling \$250,000 to two men who were later convicted of conspiring with Hale to defraud the SBA. Boyce told SBA inspectors in 1994 that while he was the purported owner and president of Retail Liquidators Hale secretly owned it and used it as a front to obtain loans from his SBA lending company. Federal law bars small business lending companies from lending to the owners.

Boyce wasn't charged or called as a witness at the trial.

The most fetching story is that of Sheffield Nelson, the former Republican state chairman and now the Republican national committeeman from Arkansas. Nelson, the former president of Arkansas Louisiana Gas Co., the state's largest natural gas distributor, was the Republican nominee for governor in 1990 against Clinton and would be defeated again, this time by Tucker, in 1994.

It was Nelson who arranged for Jim McDougal, a friend and business partner, to tell a New York Times reported in 1992 about his ancient Whitewater land deal with the Clintons.

Unlike the Clintons, who lost money, Nelson and his pal, Jerry Jones, owner of the Dallas Cowboys, profited immensely from real-estate dealings with McDougal.

While perusing the want ads of The Wall Street Journal in the early '80s, McDougal was attracted by an ad for the sale of land on Campobello Island, off the coast of Maine, President Franklin D. Roosevelt, McDougal's idol, had summered there as a youth. The owners wanted \$825,000 for 3,400 acres.

Convinced that the land could be developed for quick resale, McDougal persuaded Nelson and Jones to invest with him. Nelson and Jones put up \$225,000 each. It was the first real estate venture for McDougal's new thrift, Madison Guaranty. The savings and loan subsequently would put up millions of dollars to develop the desolate and blustery land but the agents would never find buyers.

Despite the early charges, Whitewater Development Corp., the Clintons' partnership with the McDouglas, never cost Madison Guaranty and the American taxpayers a penny. But Campobello Estates cost them plenty. It was the single biggest contributor to the S&L's demise. The Federal Home Loan Bank Board warned as early as 1984 that the investment was imprudent and that it was imperiling the thrift's solvency. Nelson and Jones never put anything more into it. It was Madison's money.

After McDougal was ousted from the management of Madison in 1986 and it was closed in 1989, the Resolution Trust Corp. found itself owning Campobello. Nelson and Jones wanted out of the deal. Amazingly, an old football-playing buddy of Jones at the University of Arkansas, Tommy Trantham, had been appointed supervisor of Madison. Trantham arranged for Madison to buy out Nelson and Jones at a handsome profit of \$136,500 each, a buy-out ultimately borne by the taxpayers. The RTC, then under the George Bush administration, approved the buy-out.

William Seidman, who headed the Federal Deposit Insurance Corp. and the RTC at times during the banking and thrift crises, later expressed shock at the buy-out. His experience, he told The Fort Worth Star Telegram, was that limited partners didn't even get their money back, much less a hefty profit.

Nelson's and Jones' roles never surfaced in the special prosecutor's case. They never got a summons from Sen. Alfonse D'Amato, R-N.Y., to explain themselves before the Senate Whitewater Committee.

It is this selective prosecution that is the peril of political investigations like Starr's. The prosecutor does not try to solve a crime and punish the perpetrator but to identify one subject or group and then find a crime.

"Therein lies the most dangerous power of the prosecutor," Justice Robert Jackson of the U.S. Supreme Court, who would be the chief prosecutor at Nuremberg, warned in 1940, "that he will pick people that he thinks he should get, rather than cases that need to be prosecuted. With the law books filled with a great assortment of crimes a prosecutor stands a fair chance of finding at least a technical violation of some act on the part of almost anyone."

With 50 FBI agents and an army of attorneys at his disposal and boundless jurisdiction, the Whitewater prosecutor's problem was that he found more than he cared to prosecute, and in exactly the wrong places.●

ORDERS FOR TUESDAY, JULY 30, 1996

Mr. MACK. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until the hour of 9:30 a.m. on Tuesday, July 30; further, that immediately following the prayer, the Journal of the proceedings be deemed approved to date, the morning hour be deemed to have expired, and the time for the two leaders be reserved for their use later in the day, and the Senate immediately resume the energy and water appropriations bill under a previous consent agreement.

The PRESIDING OFFICER. Without objection, it is so ordered.

PROGRAM

Mr. MACK. Mr. President, at the hour of 10 a.m. on Tuesday, the Senate will begin a series of rollcall votes with respect to the energy and water appropriations bill and the legislative branch appropriations bill. Senators should be on notice that all votes in the voting sequence, after the first vote, will be limited to 10 minutes in length.

I ask unanimous consent that the Senate stand in recess between the hours of 12:30 p.m. and 2:15 p.m. in order for the weekly party caucuses to meet.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MACK. Mr. President, the Senate can be expected to be in session late into the evening each day this week in order to consider appropriations bills and conference reports as they become available.

ADJOURNMENT UNTIL 9:30 A.M. TOMORROW

Mr. MACK. Mr. President, if there is no further business to come before the